Saskatchewan Ministry of Agriculture
Agriculture Development Fund

FINAL REPORT

Cost of Production – Benchmarking

ADF Project number 20080095

PAMI Project number B0808

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Abstract/Summary

Western Beef Development Centre has been conducting cow-calf cost of production benchmarking studies in the province of Saskatchewan since 2000. The ADF funding received for this project was used to resume the annual study after a two-year (2006-2007) hiatus. With no full-time beef economist to conduct on-farm visits, WBDC partnered with AgMpower (Leo Kosokowsky) and Spring Creek Consulting (Sandy Russell) to hold workshops across the province to assist producers in the collection of 2008 production and financial data. Final results for 2008 were analyzed by Kathy Larson and released in October 2010 and have been well-received by industry. Plans are well underway for the data collection phase of the 2010 study.

Introduction

Western Beef Development Centre has been conducting cow-calf cost of production benchmarking studies in the province of Saskatchewan since 2000. It is the only published cow-calf cost of production study in western Canada. The data from the study are invaluable to producers, producer organizations, government policy makers and financial institutions.

The annual results are helpful in improving the profitability, sustainability and competitiveness of the Saskatchewan cow-calf industry. With this objective in mind, the study set out to:

1. determine current costs of production for cow-calf operators;
2. hold training sessions and data collection workshops with producers to assist them in determining and understanding their individual costs of production;
3. establish production and financial benchmarks against which producers can compare their individual production costs and performance data.
4. identify low cost production strategies for the Saskatchewan cow-calf industry based on analysis of the collective database.
5. transfer results, benchmark levels, and low-cost production strategies back to cow-calf producers through group workshops and information meetings.
6. create a database and information collection system for ongoing cost of production and benchmarking in the future.

From November 2009 through March 2010, a total of eight workshops were held across the province resulting in forty-seven (47) participants entering their 2008 cow herd and financial data into AgMpower. After reviewing the data and working with participants to complete and revise their data for accuracy, a total of 18 operations were used in the 2008 COP benchmark study.

Methods

The COP benchmark study used AgMpower software – a web-based program – to collect producers' production and financial data. Totals for each expense category were keyed into Excel for analysis; each producer received an income statement summary and the income statements for each producer were then aggregated and averaged to yield the income statement/Cost of Production Fact Sheet published by WBDC.

AgMpower is developed by Leo Kosokowsky. From January to June 2009 WBDC worked with AgMpower and Spring Creek Consulting (Sandy Russell) to tweak the program and ensure parameters were in place to collect all the necessary information for COP analysis. Reviews and stamps of approval for the program were received from Dr. Robert Zentner

(AAFC-SPARC, retired) and Dr. Bart Lardner and producers (e.g. Lorne Christopherson) asked by Leo to review the program prior to the workshops commencing in November 2009.

The advantages of a web-based software package like AgMpower is that producers are always working with the latest version of the the software; the software programmer can work with clients over the phone but share the changes on the producers computer; and security changes can be enhanced if necessary by the software supplier. The disadvantages of web-based software are the slow transfer rates for dial-in internet connections; confusion about updates to the software if significant upgrades or changes are done after the workshops; and concern about security for on-line entry and manipulation of the data. These disadvantages were given frequently as reasons for failure to complete the project by participants in the workshops.

From November 2009 through March 2010, a total of 8 workshops were held across the province. The goal was to have 50 ranch or farm units participate in the workshops. There were 47participants at the workshops (see Table 1); some were observers (i.e. vets, SMA staff, MNP staff) and there were a few producers who did not sign the "Permission to Use" form so their data could not be used in the study.

Table 1. Dates and enrollments at Cost of Production workshops

Date	Location	Number of participants
2009		
November 12	Weyburn	2
November 16	Swift Current	6
November 17	North Battleford	3
November 18	Tisdale	5
2010		
January 29	Stoughton	7
February 22	Weyburn	Cancelled
February 22	Yorkton	8
March 8	Maple Creek	6
March 10	Moose Jaw	Cancelled
March 23	Lloydminster	Cancelled
March 25	Prince Albert	10

After the first workshops, it was decided by the project team that it was inefficient use of project resources to hold workshops for 3 or less pre-registered participants. It was felt that the cost of three trainers/staff and their travel costs to a workshop location was only justified if at least 3 producer participants pre-registered. This was evident at nearly every workshop in that some producers did not show up despite their pre-workshop commitment to attend. As a result of this decision, several workshops were cancelled. However, after Kathy Larson joined the project team, the pre-registered producers from the cancelled workshops were contacted and offered the software and opportunity to join the project with assistance via the telephone.

At each workshop producers were provided with a laptop and login information for an AgMpower account. Since AgMpower is web-based, the workshops had to be held in locations with wireless internet access. The agenda (see Appendix A) for the day-long workshops began with discussion on financial terms (ie. working capital, assets, liabilities, ratios) and the afternoon was spent entering data and learning the functionality of AgMpower

(ie. what-if scenarios, benchmarking tool). The agenda was amended to focus more on simply learning the software and entering data.

Follow-up with producers was required. Through April and May 2010, WBDC beef economist Kathy Larson and Spring Creek's Sandy Russell contacted workshop participants by phone and email to encourage and help producers to complete their data entry (if it was incomplete) or make corrections. One-on-one visits were conducted in August 2010 in Yorkton, Weyburn and Swift Current with producers that were interested to further finalize their 2008 data.

Results

In total 18 operations (38% of workshop participants) were included in the analysis for the 2008 COP benchmark study. Inaccurate and incomplete data sets prevented many of the operations from being included. The results were published in Fact Sheet format in October 2010 (see Appendix B).

All workshop participants were invited to a complimentary luncheon held during Agribition week. The luncheon was used to present the 2008 benchmark results, request feedback from the participants and request participation in future WBDC COP studies. Participants indicated that the free software was not as important to them as the concepts learned in the project analysis and the information in the results.

As anticipated, producers were losing money in the 2008 production year. The averaged results yielded a $110 per cow net loss, which means revenues for weaned calves did not cover the cost of production for the calves. The break-even price was $1.19 per lb based on producers weaning 545 lb calves and 89% weaning percentage.

The average herd size was 241 cows (High= 562; Low= 56) with 214 calves weaned. The average weaning weight was 545 lbs. The average winter feeding days was 151 days (approximately 5 months) (High= 700lbs; Low= 450 lbs).

Conclusion and Recommendations

The project objectives were achieved.

Objective #1: WBDC has updated its costs of production benchmarks for cow-calf operators and is in works to conduct a 2010 study (see map in Appendix). Providing COP benchmarks by soil-climatic region was not possible due to the smaller sample size. As sample size increases break-outs by location and soil zone will be possible.

Objective #2: The objective to hold training sessions and assist producers in data entry for cost of production calculation was achieved. Producers' computer savvy is variable and wide-ranging, while some workshop participants quickly caught on to AgMpower, many struggled. Going forward on the 2010 analysis the WBDC economist will work one-on-one with producers to enter their data and determine their COP.

Objective #3: Production and financial benchmarks have been updated to allow producers to compare their individual production costs and performance data.

Objective #4: Low cost production strategies for the Saskatchewan cow-calf industry based on review of the collective database include reducing winter feeding days, utilizing swath grazing and aftermath grazing, and having machinery that is appropriate for the herd size.

Objective #5: Results, benchmark levels, and low-cost production strategies are being communicated back to cow-calf producers. Workshop participants were invited to a

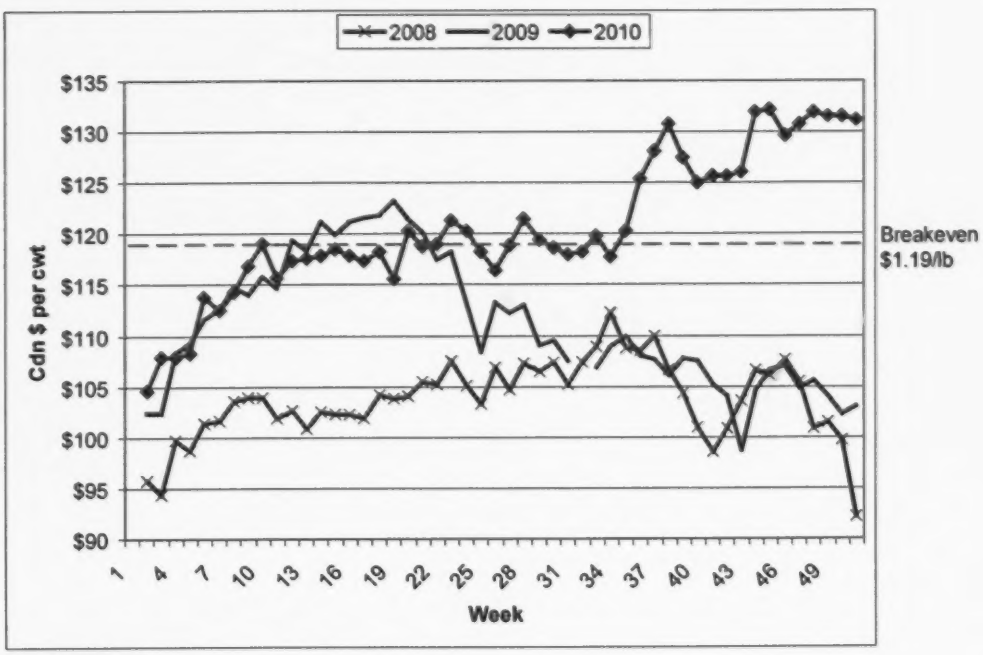
complimentary luncheon during Agribition in Regina. Larson has been asked to speak about COP (i.e. Cattlemen's Corral on January 18, 2011 in Lloydminster Saskatchewan).

Objective #6: A database and information collection system for ongoing cost of production and benchmarking in the future has been created. For the 2010 study Larson will be transferring the 2008 data to CowProfit$ and updating it with 2010 production information collected during on-farm visits with study participants.

Figure 1 shows the weekly feeder prices for 500-600 lb steers in Saskatchewan. The graph shows that feeder prices have been in a slump the last couple of years and only this past fall have we seen prices rally above the calculated break-even in the 2008 COP study ($1.19 per lb) during the fall run. If this break-even price held constant from 2006 through 2010, Saskatchewan cow-calf producers would have been unable to generate positive returns from their operations since 2006.

Negative margins the last several years offers some insight as to why uptake and participation in the 2008 cost of production study did not meet expectations (n=50). Producers in tough financial times are likely not interested in learning how much money they are losing.

Figure 1. Saskatchewan Weekly Feeder Prices (500-600 lb steers), 2008-2010



Source: CanFax

The Fact Sheet results are being reprinted in popular farm press (i.e. *Beef in BC* will be referencing the Fact Sheet in an upcoming article; *Charolais Banner* is reprinting the Fact Sheet in an upcoming issue) and featured in popular agriculture commentaries (i.e. Kevin Hursh Daily Comments, October 2010) and radio (GX94). Hard copies of the Fact Sheet were mailed out to WBDC's contact list in December 2010. Larson also delivered a lecture to Dr. Steve Hendrick's WCVM students at the University of Saskatchewan on the benefits of cow-calf cost of production calculation on January 27, 2011.

Future COP benchmark studies will likely use a program other than AgMpower. The decision to switch from AgMpower is based on a number of reasons: 1. the web-based nature of the program means that some producers interested in participating in the program were not able to access AgMpower from home due to dial-up internet access. 2. the cost of AgMpower software licence after the project is completed will be much higher ($750) than publicly available software such as CowProfits. 3. Some computer literate producers were already using CowProfits for record keeping and were reluctant to switch to another program just to participate in the study.

Acknowledgements

WBDC is grateful for the ADF funding received to resume its COP study. With a beef economist hired full time WBDC can work on rebuilding awareness and loyalty in its COP benchmark study. Proper recognition was given during the workshops and funding was acknowledged on the Fact Sheet.

Literature Cited

None.

Appendix A

COST OF PRODUCTION BENCHMARKING WORKSHOP AGENDA

8:15 *Set up* laptop computers and ensure wireless connections

8:30 Welcome and Introductions: Paul Jefferson, WBDC
Sign-In and Passwords: Leo Kosokowsky – AgMpower

8:45 *Working Capital*: Sandy Russell, Spring Creek Consulting
Site Navigation: Leo Kosokowsky

10:00 *Long-term Assets, 2008 Current Assets and Liabilities:* Leo Kosokowsky

11:30 *Ratios*

12:00 Lunch

1:00 *Operational plan:* Livestock budget, feed budget

2:00 *Overhead*

2:30 *Profitability and break-even prices*

3:00 *Benchmarks*: How does my operation compare??

3:00 *"What if" planning examples*

4:15 *Consultants and suggested resources*

4:30 Wrap-Up

Appendix B

(Fact Sheet)

Other (e.g. extension meetings; papers produced conference presentations made; personnel involved; equipment bought, photos; project materials developed; expense statement).

Extension Meetings/Tech Transfer

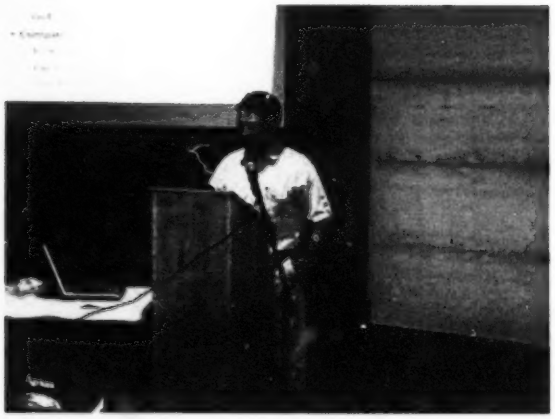
- Cost of Production Lab Assignment – Dr. Greg Penner's AniSci 410 Class, October 22 & 29, 2010 (Sandy Russell)
- Cost of Production – Foraging into the Future, Swift Current, December 8-9 (Sandy Russell)
- "Cost of Production – A How-to Guide", Cattlemen's Corral, Lloydminster, January 18, 2011
- "Cost of Production", Beef Elective Lecture, Western College of Veterinary Medicine, University of Saskatchewan, January 27, 2011

Personnel

Kathy Larson* Beef Economist Western Beef Development Centre	**Sandy Russell** Consultant Spring Creek Consulting
Paul Jefferson VP Operations Western Beef Development Centre	**Leo Kosokowsky** President/CEO AgMpower

*Larson joined WBDC in April 2010.

Photos



Mr. Leo Kosokowsky describes the AgMpower software to the 2009 WBDC Field Day audience.

Project Materials

- AgMpower Workshop Participant User Manual – posted on WBDC's website for workshop participants to refer to when using AgMpower at home (view online at: http://www.wbdc.sk.ca/pdfs/COP/AgMpower_usermanual.pdf
- Handout detailing pertinent information required for COP calculation (attached)
- "Permission to Use" data form (attached)

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WBDC Cost of Production Workshop
November 2009
What you need to have prepared:
Your Assets and Liabilities for the start of 2008 fiscal year
Current Assets:
☐ Bank Balances
☐ Accounts Receivables
☐ Inventory and Feed supplies
☐ Livestock to be sold within the year
☐ Prepaid expenses
Current Liabilities:
☐ Lines of Credit AND credit cards
☐ cash advances (crop and livestock)
☐ Account payables (all bills from previous year not yet paid)
☐ term loan payment schedule
Term Assets (and estimated values):
☐ Breeding stock
☐ equipment list
☐ Buildings
☐ Land (owned and rented)
Your Revenue and Expenses for the 2008 year:
Revenues:
☐ Selling weight and price for the calves born in 2008
☐ Sold price and number of culls, bulls etc. sold in calving year.
☐ Sold weight and price of grassers pastured in 2008
Expenses:
☐ Feed (units and prices) expense for above animals
☐ All other cash costs for the year 2008 calves were sold in (tax return is usually adequate)
☐ Crop Budgets associated with livestock (Yield and value and crop cost; Seed, fertilizer, chemical, crop insurance. for barley, hay, etc.)
Estimates are permitted for the workshop. Balances and values do not need to be exact.
Accuracy can be increased online at home later.

Authorization to use financial data

Name:

Address:

Phone:

Email:

I agree to allow Western Beef Development Centre and AgMpower to collect and analyze financial information provided to them from my farm or ranch as part of the "Cost of Production – Benchmarking" project. I understand that my information will be used to determine benchmark cost values for beef production and my identity will not be released by the project at any time during the analysis of the data or publication of the project results.

_____ _____

Signature Date

2010 Cost of Production

Each star represents a potential producer participant for the 2010 Study based on 2008 participants as well as newly confirmed participants.

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UNITED STATES OF AMERICA
ÉTATS-UNIS D'AMÉRIQUE

Producer /Location	Producer /Location
Terry Adamson, Makwa	Garth Wood, Moosomin
Daryl Usenik, Paradise Hill	Jill Debenham, Kennedy
Pat McKinnon, Macklin	Elroy Trithardt, Kipling
Byron Clarke, Macklin	Christy Goudy, Stoughton
Tim Nerbas, Waseca	Barry Good, Fillmore
Jeremy Brown, Cut Knife	Les Johnson, Fillmore
Charlie Stewart, Canwood	Murray McGillivray, Radville
Baraclay Robertson, Canwood	Rod Gamble, Pambrun
Andy Jessop, Leask	Dwayne Pole, Shaunavon
Bill Huziek, Wakaw	Art McElroy, Frontier/Swift Current
Darrel Timm, Kinistino	Donna Mann, Tompkins
Jackie James, Aylsham	Brenda Gilchrist, Maple Creek
Terry Hunt, Rose Valley	Gerald & Patty Anhorn, Elrose
Andy Oystryk, Canora	
Zach Hainstock, Langenburg	
James Schmidt, Langenburg	

*Producer names listed in clockwise order starting in NW

February

Sunday	Mon	Tues	Wed	Thursday	Friday	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

Feb 6-12 – Producers in Weyburn/Moosomin area (7)
Feb 13-19 – Producers around PA (5)
Feb 20-21 – Producers in Lloyd/NBattleford area (6)

March

Sunday	Mon	Tues	Wed	Thursday	Friday	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

March – Swift Current
March 6-12 – Producers in east (Canora, Langenburg)
March 20-26 – Producers in Aylsham, Rose Valley